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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
JOHNSON UTILITIES, LLC FOR AN
INCREASE IN ITS WATER AND
WASTEWATER RATES FOR CUSTOMERS
WITHIN PINAL COUNTY, ARIZONA.

Docket No. WS-02987A-08-0180

Arizona Corporation Commission
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NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Testimony Summaries of William A. Rigsby, CRRRA and Rodney L. Moore in the above-referenced matter.

RESPECTFULLY SUBMITTED this 22nd day of April, 2009.

Daniel W. Pozefsky
Chief Counsel

1 AN ORIGINAL AND THIRTEEN COPIES
2 of the foregoing filed this 22nd day
3 of April, 2009 with:

4 Docket Control
5 Arizona Corporation Commission
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7 Phoenix, Arizona 85007

8 COPIES of the foregoing hand delivered/
9 mailed this 22nd day of April, 2009 to:

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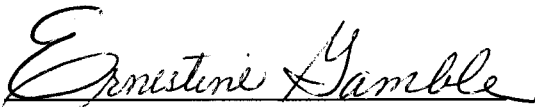
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Johnson Utilities, LLC
Docket No. WS-02987A-08-0180
Rate Case

SUMMARY OF THE TESTIMONY OF WILLIAM A. RIGSBY, CRRA
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

The following is a summary of the significant issues set forth in both the direct and the surrebuttal testimony of RUCO witness William A. Rigsby, CRRA, on Johnson Utilities, LLC's ("Johnson" or "Company") application for a permanent rate increase. Mr. Rigsby is providing testimony on the cost of capital issues associated with Johnson's request for a rate increase. The underlying theory and rationales for Mr. Rigsby's recommendations on these issues are contained in the above referenced documents. The significant issues associated with the case are as follows:

Weighted Cost of Capital – Mr. Rigsby is recommending that an 8.18 percent weighted cost of capital be applied to Johnson's fair value rate base ("FVRB").

Mr. Rigsby's 8.18 percent figure is the result of his recommended capital structure, his recommended cost of long-term debt, and his recommended cost of common equity.

Capital Structure – Mr. Rigsby is recommending that the Commission adopt a hypothetical capital structure comprised of 40.0 percent long-term debt and 60.0 percent common equity.

SUMMARY OF THE TESTIMONY OF WILLIAM A. RIGSBY, CRRA (Cont.)

Cost of Long-Term Debt – Mr. Rigsby is recommending that the Commission adopt an 8.00 percent cost of long-term debt. Mr. Rigsby's recommended 8.00 percent cost of long-term debt represents the interest rate associated with a promissory note for \$772,000. The note was entered into by Johnson and the Company's Managing Member, George Johnson on December 31, 1999. Under the terms of the loan agreement Johnson Utilities is required to make only quarterly interest payments of 8.00 percent per annum over the ten year life of the loan and to make a balloon payment of the principal amount, plus any accrued interest, on December 31, 2009.

Cost of Common Equity – Mr. Rigsby is recommending an 8.31 percent cost of common equity. Mr. Rigsby's 8.31 percent figure is a mean average of the results that he obtained from his cost of equity analysis which used both the discounted cash flow ("DCF") and capital asset pricing model ("CAPM") methodologies.

Johnson Utilities, LLC
Docket No. WS-02987A-08-0180
Rate Application

SUMMARY OF THE TESTIMONIES OF RODNEY L. MOORE
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

The following is a summary of the Direct and Surrebuttal Testimonies given by Rodney L. Moore applicable to RUCO's recommended conditions for a permanent rate increase. A full disclosure of the issues and conditions are contained in the referenced documents.

The testimonies of Mr. Moore address the following outstanding issues:

Rate Base

Plant-In-Service – RUCO disallowed plant deemed not used and useful and/or excess capacity; whereas the Company requested inclusion of these plant items in rate base because it was installed under contractual obligations with the developer.

Contributions in Aid of Construction ("CIAC") – RUCO recorded all CIAC as a reduction to rate base; whereas the Company proposed a decrease in the CIAC associated with hook-up fees collected for future plant costs.

Operating Income

Central Arizona Groundwater Replenishment District ("CAGRD") – This adjustment is based on the disagreement between RUCO and the Company over the treatment of this expense. RUCO recommended the CAGRD fees be treated similar to other operating expenses; while the Company proposed the fees be treated as a pass-through tax.

Amortize Rate Case Expense - This adjustment is based on RUCO's disagreement with the Company over the amortization period. The Company proposed three years while RUCO recommended five years to more accurately reflect the Company's propensity not to file timely rate applications.

Annualize Depreciation Expense and CIAC Amortization - This adjustment reflects changes in RUCO's adjusted gross plant in service.

Property Tax Expense - This adjustment reflects changes in RUCO's adjusted and proposed revenues.

Federal and State Income Taxes Expense - This adjustment reflects RUCO's disallowance of income tax expenses because the Company was organized as Limited Liability Company ("LLC") and thus does not pay income tax. RUCO witness William Rigsby will explain RUCO's position on this adjustment during the Hearing.

Rate Design

Mr. Moore's proposed rate design is generally consistent with the Company's present rate design, but reflects RUCO's recommended revenue requirement and provides proof the design will produce the appropriate revenue requirement.

Conclusions And Recommendations

Mr. Moore concludes that the approval of this application will be consistent with the public interest if the Commission adopts the following recommendations:

Percentage Increase In Average Typical Residential Customer's Monthly Bill:

	<u>DIRECT TESTIMONY</u>	<u>REVISED SURREBUTTAL</u>
<u>WATER</u>	-17.88%	-14.32%
<u>WASTEWATER</u>	6.29%	-3.83%

Recommended Revenue Requirement:

	<u>DIRECT TESTIMONY</u>	<u>REVISED SURREBUTTAL</u>
<u>WATER</u>	\$11,219,234	\$11,690,840
<u>WASTEWATER</u>	\$11,962,300	\$10,873,727

Recommended OCRB/FVRB:

	<u>DIRECT TESTIMONY</u>	<u>REVISED SURREBUTTAL</u>
<u>WATER</u>	\$285,272	(\$5,556,766)
<u>WASTEWATER</u>	\$19,457,670	\$11,252,776

Recommended Required Operating Income:

	<u>DIRECT TESTIMONY</u>	<u>REVISED SURREBUTTAL</u>
<u>WATER</u>	\$23,347	N/A (negative FVRB)
<u>WASTEWATER</u>	\$1,592,460	\$920,953

Recommended Increase In Revenue Requirement:

	<u>DIRECT TESTIMONY</u>	<u>REVISED SURREBUTTAL</u>
<u>WATER</u>	(\$1,953,664)	(\$1,482,059)
<u>WASTEWATER</u>	\$608,286	(\$480,287)

Recommended Percentage Increase In Revenue Requirement:

	<u>DIRECT TESTIMONY</u>	<u>REVISED SURREBUTTAL</u>
<u>WATER</u>	-14.83%	-11.25%
<u>WASTEWATER</u>	5.36%	-4.23%